



EXPERIENCE **MATTERS**

2016

ANNUAL REPORT

5 FINANCIAL REPORT 2016

BACKLOG

Directional² backlog at the end of 2016 remained healthy at US\$ 17.1 billion compared US\$ 18.9 billion at the end of 2015. This reflects both the lower level of order intake for the Turnkey segment and the resilience of the Lease and Operate portfolio.

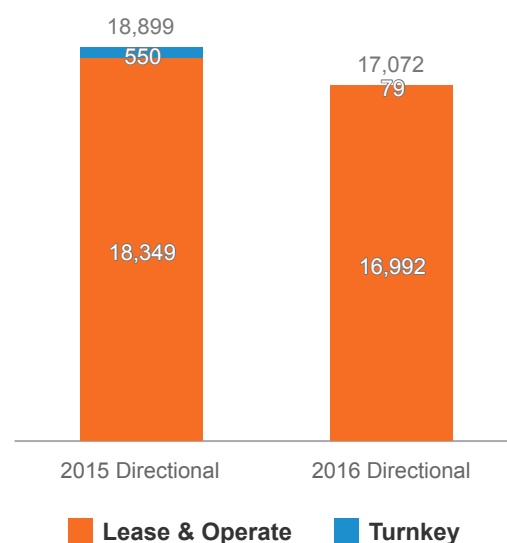
Directional² Turnkey backlog decreased to US\$ 0.1 billion compared to US\$ 0.5 billion in 2015 as no major Turnkey orders were signed in 2016. As market conditions continued to be challenging during the period, the level of tendering activity was lower than in 2015 and the order intake continued to be impacted by structural delays in client final investment decisions.

Backlog as of December 31, 2016 is expected to be executed as per the below tables:

Backlog (in millions of US\$)

in million US\$	Turnkey	Lease & Operate	Total
2017	0.1	1.5	1.6
2018	0.0	1.5	1.5
2019	0.0	1.5	1.5
Beyond 2020	0.0	12.5	12.5
Total Backlog	0.1	17.0	17.1

Backlog (in millions of US\$)

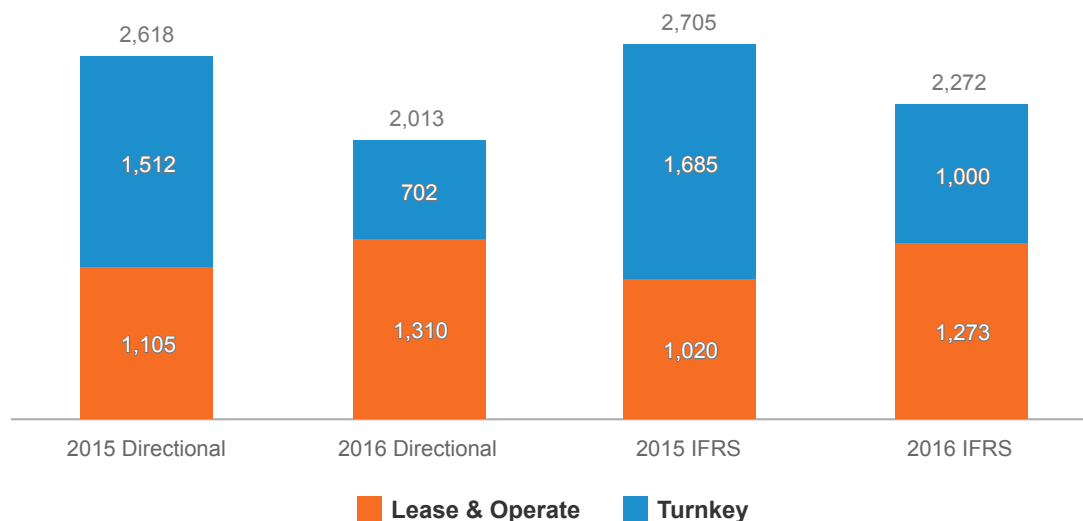


² Directional view is a non-IFRS disclosure, which assumes all lease contracts are classified as operating leases and all vessel joint ventures are proportionally consolidated.

REVENUE

Directional³ Revenue decreased by 23% year-on-year despite an increase of 19% for the Lease and Operate segment:

Revenue (in millions of US\$)



DIRECTIONAL³

Third party Directional³ Turnkey revenue came down 54% year-over-year to US\$ 702 million, representing only 35% of total 2016 revenue. This compares to US\$ 1,512 million, or 58% of total revenue, in 2015. The decrease is mostly attributable to the completion stage reached in the course of 2016 on Ichthys turret and FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella*, as well as the very low order intake in 2014, 2015 and 2016 as a result of the market downturn.

Directional³ Lease and Operate revenue increased by 19% to US\$ 1,310 million, representing 65% of total Directional³ revenue contribution in 2016, up from the 42% contribution of 2015. The increase in segment revenue is attributable to the start-up of FPSOs *Cidade de Maricá*, *Cidade de Saquarema* and *Turritella* while no vessel have been decommissioned during the period.

IFRS

Total IFRS revenue decreased during the year, down by 16% to US\$ 2,272 million, despite an increase of 25% for the Lease and Operate segment. This was mainly attributable to significantly lower revenue recognized in the Turnkey segment upon completion of major projects in the course of 2016 as well as low order intake in 2014, 2015 and 2016.

PROFITABILITY

The Company's primary business segments are Lease and Operate and Turnkey plus 'Other' non-allocated corporate income and expense items. EBITDA and EBIT are analyzed by segment but it should be recognized that business activities are closely related, and that certain costs are not specifically related to either one segment or another. For example, when sales costs are incurred, including significant sums for preparing a bid, it is often uncertain whether the project will be leased or contracted on a turnkey lump sum basis.

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